

Message Text

CONFIDENTIAL

PAGE 01 OECD P 13193 01 OF 02 041930Z
ACTION SS-25

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TO SECSTATE WASH DC IMMEDIATE 6457

C O N F I D E N T I A L SECTION 01 OF 02 OECD PARIS 13193

EXDIS

FOR COOPER AND KATZ; PASS TREASURY FOR SOLOMON AND
BERGSTEN; NSC FOR HORMATS

E.O. 11652: GDS
TAGS: OECD, CIEC, EGEN, EFIN
SUBJECT: LONDON SUMMIT - KEY CIEC ISSUES

1. AT THIS POINT IN THE NEGOTIATION OF THE FINAL CIEC PACKAGE, TWO MAJOR ISSUES -- ODA VOLUME AND THE COMMON FUND -- HAVE EMERGED AS PIVOTAL TO THE CONCLUSION OF THE CONFERENCE. THERE ARE WIDE GAPS ON BOTH ISSUES BETWEEN G-19 DEMANDS AND WHAT THE G-8 IN THE END LIKELY TO BE ABLE TO PRODUCE. WE ARE ACTIVELY TRYING TO LOWER G-19 EXPECTATIONS IN OUR BILATERAL DISCUSSIONS. MORE IMMEDIATELY, THERE ARE SUBSTANTIAL DIFFERENCES ON BOTH SUBJECTS WITHIN THE G-8, PARTICULARLY BETWEEN THE US AND THE EC. WE ASSUME THAT BOTH THE ODA VOLUME AND THE COMMON FUND ISSUES WILL COME UP AT THE SUMMIT. THE EUROPEANS, LED BY THE FRENCH AND TO SOME EXTENT THE UK IN THEIR CURRENT ROLE AS PRESIDENT OF THE EC COUNCIL, WILL WANT TO USE THE SUMMIT TO PERSUADE THE US TO MOVE TOWARD THE COMMUNITY POSITIONS. THEY WILL PRESUMABLY ARGUE SUCH MOVEMENT IS ESSENTIAL TO A SUCCESSFUL OUTCOME IN CIEC.

CONFIDENTIAL

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PAGE 02 OECD P 13193 01 OF 02 041930Z

2. ODA VOLUME -- OUR EXTENSIVE BILATERAL DISCUSSIONS WITH MEMBERS OF THE G-19 AND THEIR STATEMENTS IN VARIOUS WORKING GROUPS CONFIRM THAT THEY CONSIDER AN INDUSTRIALIZED COUNTRY COMMITMENT TO INCREASE LEVELS OF ODA OVER THE MEDIUM TERM TO BE FUNDAMENTAL TO A SATISFACTORY CIEC PACKAGE. WE HAVE STRESSED THAT THE

US IS NOT ABLE TO MAKE ANY COMMITMENTS BEYOND THE CURRENT BUDGET CYCLE, AND THAT WE SHOULD BE JUDGED ON THE BASIS OF OUR ACTUAL PERFORMANCE -- A PERFORMANCE WHICH DEMONSTRATES A SERIOUS INTENTION TO INCREASE ODA AND MAKE IT MORE EFFECTIVE. PRIVATELY, THE LDCS ACCEPT THAT THE US CANNOT ACCEPT ANYTHING LIKE THE 0.7 PERCENT TARGET, BUT THEY ARE ADAMANT THAT CIEC MUST PRODUCE A CLEAR SIGNAL CONCERNING OUR AID PERFORMANCE OVER THE MEDIUM TERM.

3. WITHIN THE G-8, THE EC IS WILLING TO ACCEPT THE 0.7 PERCENT TARGET, BUT WITHOUT SETTING ANY DATE FOR ITS ACHIEVEMENT. (IN THE SOMEWHAT SURREALISTIC ATMOSPHERE OF PARIS, THIS IS SOMEHOW SEEN AS A MORE FORTHCOMING POSITION THAN THAT OF THE US.) JAPAN IS MORE OR LESS IN THE SAME POSITION AS THE US, BUT THEIR DELEGATION HAS TOLD US PRIVATELY THEY WOULD FOLLOW ANY US MOVE IN CIEC WHICH SIGNALLED AN EXECUTIVE BRANCH INTENTION TO INCREASE ODA OVER THE MEDIUM TERM.

4. COMMON FUND -- THE G-19 IS PREDICTABLY INSISTENT THAT CIEC MUST SOMEHOW GIVE POLITICAL IMPETUS TO THE GENEVA NEGOTIATIONS ON A COMMON FUND. THEIR OPENING POSITION IS TO INSIST THAT WE AGREE IN CIEC TO ESTABLISH A COMMON FUND BY NOVEMBER 1977 AS A CENTRAL SOURCE OF FINANCING FO BUFFER STOCKS. BUT OUR TALKS WITH VARIOUS G-19 DELEGATIONS CONFIRM THAT THEY RECOGNIZE THE DIFFICULTY OF NEGOTIATING ANY SORT OF CONFIDENTIAL

CONFIDENTIAL

PAGE 03 OECD P 13193 01 OF 02 041930Z

POLITICAL COMMITMENT TO A COMMON FUND WHICH IS SUFFICIENTLY CONDITIONAL TO ACCOMMODATE VARIOUS G-8 POSITIONS, SUCH AS THAT OF THE EC, AND TET IS NOT YIEWED BY THE G-77 AS A CAPITULATION ON THE MAIN FEATURES OF A FUND STILL TO BE NEGOTIATED IN UNCTAD. WE HAVE ADHERED TO OUR POSITION THAT WE ARE PREPARED TO NEGOTIATE SERIOUSLY ON A COMMON FUND BUT CANNOT AGREE IN FRINCIPLE THAT THERE SHOULD BE A COMMON FUND UNTIL THE NEGOTIATIONS HAVE LED TO SOME MEASURE OF CONSENSUS ON THE STRUCTURE AND ELEMENTS OF A FUND. HOWEVER, WE HAVE SAID WE COULD ENVISION A CIEC DECLARATION GIVING NEW POLITICAL MOMENTUM TO THE UNCTAD NEGOTIATIONS.

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PAGE 01 OECD P 13193 02 OF 02 041927Z
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C O N F I D E N T I A L SECTION 02 OF 02 OECD PARIS 13193

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5. AGAIN, OUR MOST IMMEDIATE PROBLEMS ARE WITH THE EC. THEY CONTINUE TO VIEW THE ROME STATEMENT BY THE HEADS OF GOVERNMENT THAT "THERE SHOULD BE A COMMON FUND" AS THE ONLY BASIS FOR A COMMON EC POSITION AND THEREFORE SACROSANCT. THEY ARE THUS FAR UNWILLING TO CONSIDER ANY G-8 POSITION WHICH DOES NOT INCLUDE THIS QUALIFIED POLITICAL COMMITMENT TO A COMMON FUND, EVEN THOUGH, AS THEY LEARNED AT THE MARCH UNCTAD MEETING ON THE COMMON FUND, THE G-77 IS UNWILLING TO ACCEPT SUCH A STATEMENT WITH THE QUALIFICATIONS THE EC HAS ATTACHED TO IT (THAT A COMMON FUND MUST BE SATISFACTORILY WORKED OUT AND ACCEPTED BY A WIDE RANGE OF DEVELOPED AND DEVELOPING COUNTRIES).

6. THE G-19 ADMITS THAT IT HAS NO NEGOTIATING FLEXIBILITY ON THE COMMON FUND. OUR ASSESSMENT HERE IS THAT EVEN IF THE US WERE WILLING TO GO ALONG WITH THE EC TYPE OF QUALIFIED COMMITMENT, IT WOULD BE DIFFICULT FOR THE G-19 TO ACCEPT IT, GIVEN THEIR OBLIGATIONS TO THE G-77. (WE ASSUME, FOR EXAMPLE, THAT THE G-19 WOULD NOT BACK OFF FROM THE NOTION OF A COMMON FUND AS A CENTRAL SOURCE OF FINANCE.) FOR THE SAME REASON, WE CONSIDER IT EQUALLY IMPOSSIBLE TO OBTAIN AGREEMENT IN CIEC ON EVEN THE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 OECD P 13193 02 OF 02 041927Z

GENERAL OUTLINES OF THE TYPE OF COMMON FUND WE IN THE
END WOULD BE PREPARED TO SUPPORT. THE OTHER
OPTION -- A DECLARATION FROM CIEC GIVING POLITICAL

IMPETUS TO THE PROCESS OF NEGOTIATIONS IN UNCTAD BUT STOPPING SHORT OF AN ADVANCE COMMITMENT TO ESTABLISH A COMMON FUND -- WILL ALSO BE DIFFICULT, BUT MIGHT IN THE END BE ACCEPTED BY THE G-19, DEPENDING ON THEIR ASSESSMENT OF THE ADEQUACY OF THE FINAL PACKAGE ON THE OTHER KEY ISSUES. THE CURRENT RIGID EC POSITION ON THE COMMON FUND WOULD SEEM TO PRECLUDE OUR GETTING EC AGREEMENT ON THIS OPTION AT THIS STAGE. BUT EC REPS WITH WHOM WE HAVE DISCUSSED THE ISSUE HERE AGREE THAT IF THEIR LEADERS AT THE SUMMIT ACCEPT A FORMULATION THAT FALLS SHORT OF A COMMITMENT TO ESTABLISH A COMMON FUND, THE EC POSITION COULD BECOME MORE FLEXIBLE HERE AND THUS THE CHANCES OF AT LEAST G-8 AGREEMENT ON A FORMULATION CONSISTENT WITH THE U.S. POSITION.

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